



PRESS-REGISTER

Colleges reject tuition discount for PACT contract holders

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Officials with the University of South Alabama and Auburn University said Tuesday that members of the Prepaid Alabama College Tuition board have asked schools to discount tuition as a way to help the fund recover from steep stock market losses.

Those schools and the University of Alabama System ruled out discounts for fund enrollees, saying they've got financial problems of their own.

USA President Gordon Moulton said Russell Buffkin, a Mobile lawyer who is a member of the PACT board, proposed a discount of about 15 percent for a decade, with the universities possibly getting repaid later.

Buffkin confirmed he'd talked to Moulton and described what he'd proposed as "partnering" with the schools.

"I don't believe discounting contract holders is the proper terminology that I would use," he wrote in an e-mail.

Auburn spokeswoman Deedie Dowdle said they were also asked about discounts, but no numbers were mentioned.

Gregory Fitch, a PACT board member as well as executive director of the Alabama Commission on Higher Education, said he has not mentioned such an idea in his talks with college representatives but said all options are on the table.

Fitch has said another option might be to close the fund to new enrollees.

The PACT board plans to meet March 24 to look at updated financial statements and discuss options.

The fund sent out letters to its 48,000 contract holders last week warning of its losses and saying it was talking to the state's public colleges to ensure that benefits are paid in the future.

Susan Davidson of Daphne said her daughter is a freshman at USA, one of about 450 students there who have PACT contracts. Davidson said her mother bought contracts for her four grandchildren, and she's not sure her daughter would be at USA without it.

"I certainly hope they honor their promise," Davidson said.

Since 1990, PACT has sold contracts meant to cover the future costs of in-state undergraduate tuition,

good at any of Alabama's public two-year and four-year colleges. Students also can receive the average cost of in-state tuition to attend a private or out-of-state public college.

The overall fund faces the same investment risks as an individual, and Alabama, unlike some states, does not guarantee that all the money will be there when it's time for a student to go to college.

"They hope there may be some way where we could work out some kind of arrangement, where the universities can help bridge the gap," Moulton said of his conversation.

Moulton said all the schools are facing steep midyear budget cuts this year and an uncertain funding outlook next year.

He said he worried that giving discounts to one group would be unfair, when other students were too old to qualify, have taken out loans to pay for their schooling or saved for college some other way.

Moulton said that was in part true because he finds that PACT students are more affluent than the average student.

"We have to have equitable treatment of all our students," he said.

In Alabama, a four-year tuition contract currently costs between \$23,938 and \$25,650, depending on the age of the child covered, with payment plans available. Costs were lower when the plan started.

About 63 percent of all PACT recipients attend Auburn or the University of Alabama's main campus in Tuscaloosa, according to the fund, making up 10 percent of each school's student body. Fitch said talks have focused on those schools.

"While we are in no position to help financially, we have agreed to provide experienced financial specialists to help identify and suggest to them options that may be available to them under the PACT statute," UA System Chancellor Malcolm Portera and Auburn President Jay Gouge said in a joint statement Tuesday.

About 8,400 PACT enrollees were in school at Alabama's public universities in the fall.

The fund paid out \$58.6 million in the budget year that ended Sept. 30, 2008.

PACT had almost \$484 million invested as of Dec. 31. The program's most recent actuarial report, from Sept. 30, 2007, said it had 97.6 percent of assets needed to cover future liabilities. Then, PACT had \$899 million invested.

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